TESTIMONY OF
ATTORNEY GENERAL RICHARD BLUMENTHAL
BEFORE THE GENERAL LAW COMMITTEE
FEBRUARY 6, 2001

I appreciate the opportunity to support of Senate Bill 617, An Act Concerning Full Disclosure of Prepaid Funeral Service Contracts.

Prepaid funeral contracts are designed to allow people to plan and pay for their funerals. With the cost of funeral and burial expenses typically exceeding several thousand dollars, many people do not want to rely on life insurance proceeds or the assets of their estates to meet their anticipated funeral expenses. For others who receive Title XIX benefits, there is an exclusion from the minimum assets which the person can retain for prepaid funeral contracts.

As a result, the sale of prepaid funeral service contracts in Connecticut is a big business. There are more than $150 million invested in escrow accounts as a result of such contracts. Most of this money is invested through banks or the Internment Trust Company.

In general, an individual wishing to purchase a prepaid funeral service contract pays a lump sum of money to the funeral director, who transfers the funds over to an escrow agent for investment. The funds can be invested in generally safe investment vehicles as defined in statute although there is a clause that allows investments in any investment of comparable safety, quality and expense as the delineated investment vehicles. The escrow agent must provide an annual statement of the actual amount of funds available and the amount of administrative costs. When a person dies, the funeral home will submit expense invoices to the escrow agent, who releases all funds to the funeral home.

Although Connecticut does provide for some regulation of prepaid funeral contracts, further measures are necessary in order to provide greater assurance that consumers, most often senior citizens, are not the victims of fraud. My office has pursued court action to help families whose prepaid funeral funds were embezzled by funeral home directors.

Senate Bill 617 provides greater protection against such fraud by requiring disclosures that will encourage people to monitor more closely how their money is handled. Specifically, the proposal would require each funeral service contract to provide a summary of the consumer's rights under Connecticut law, the name of the escrow agent, and his business address and phone number. The proposal also requires the escrow agent to verify to the consumer that such funds have been deposited within 30 days of receipt of such funds. The contract would also be required

to advise the consumer to avoid fraud by contacting the escrow agent to verify the disposition of such funds if he has not received verification or an annual statement of his account.

Senate Bill 617 also requires funeral service directors who sell prepaid funeral service contracts to provide a surety bond in the amount of $50,000 for each funeral home. If the director owns between 5 and 10 funeral homes, the bond is $250,000 and if the director owns 10 or more funeral homes, the bond requirement is $500,000. This bond, modeled after a similar bond requirement for motor vehicle dealers who also hold significant consumer deposits during the course of their business, would provide a source of funds to pay for funeral services when a funeral director has illegally misappropriated the escrowed funds.

Importantly, Senate Bill 617 clarifies the duties and responsibilities of the escrow agent. By law, the escrow agent must be a licensed investment broker, banker or insurer. This proposal specifically establishes that the escrow agent must: (1) provide an annual statement of the invested funds, the rate of return and any expenses charged to that account; (2) only pay for those expenses as required by the prepaid funeral; (3) pay surplus funds to the person designated by the consumer or to the State Treasurer if surplus funds are from a Title XIX account .

I urge your committee's favorable consideration of this proposal.

Thank you.

TESTIMONY OF
ATTORNEY GENERAL RICHARD BLUMENTHAL
BEFORE THE GENERAL LAW COMMITTEE

FEBRUARY 6, 2001

I appreciate the opportunity to speak in support of House Bill 6619, An Act Concerning Consumer Financial Information.

This legislation embodies a simple principle: consumers must have control over information collected about them. Anyone who wants to keep financial information confidential should have that right. This principle has been adopted by the United States Congress which approved the Gramm-Leach-Bliley Act, requiring financial institutions to notify consumers when they were selling their financial information to others. It has also been adopted by the Connecticut General Assembly, which approved a new law requiring any retailer that uses a discount card to gain valuable consumer financial information to notify consumers if it is going to transfer such information to another company such as a telemarketer.

House Bill 6619 simply extends this basic notice and consumer right to opt out to financial information gained by retailers through the use of credit cards.

Advances in technology promise and provide many benefits to consumers. Through the Internet, consumers communicate with people around the world, tap whole libraries of information at the

press of a button and charge expenses virtually anywhere. With these benefits, come some real risks. Never before has so much data about a consumer's finances, buying habits and other personal information been collected and compiled so widely, and sold to telemarketers, purveyors of junk mail, and many others.

Purchases of ice skates or baby food can be compiled in a database that gives marketing companies valuable information about you, your lifestyle and your family. Marketing this information is big business, with companies reaping millions of dollars in profits.

House Bill 6619 requires any retailer doing business in this state that compiles consumer information and sells it to another company to inform the consumer of this practice and provide an opportunity to object to such dissemination of personal information. The proposal requires that notice of this right to object be provided by mail, which would be simple and virtually costless for most credit card companies that bill monthly anyway, or by posting the notice at the checkout stand, which may be easy for many retailers.

The states of Virginia and California have approved similar laws. In addition, this clear, unequivocal consumer right to restrict the dissemination of personal, financial information has been adopted by the Direct Marketer's Association, a consortium of companies that advertise through telephone and mail solicitation, and it will be a requirement for any company that does business in Europe. This key consumer protection is neither expensive nor difficult to implement. It would ensure that every company adheres to this fundamental right to privacy.

The legislative proposal requires one small technical amendment: on lines 30 and 33, delete “relinquish” and substitute “exchange for value”.

I urge your committee to take a stand for consumers' right to privacy and favorably consider House Bill 6619 with the amendment.

Thank you.

TESTIMONY OF
ATTORNEY GENERAL RICHARD BLUMENTHAL
BEFORE THE GENERAL LAW COMMITTEE

FEBRUARY 6, 2001

I appreciate the opportunity to speak in support of Senate Bill 1076, An Act Concerning the Failure to Refund Consumer Deposits for New Home Construction or Home Improvements.

One of the most difficult experiences for a consumer is providing a significant deposit with a contractor to build a dream house or to undertake long-awaited improvements to the consumer’s existing home and having the contractor never even start the promised work and fail to return the consumer’s deposit. Unfortunately, these types of complaints are all too common. The result is

that the consumer loses from several thousand dollars to in excess of twenty thousand dollars - a loss that makes it financially very difficult to simply hire another contractor.

The current penalties for failing to perform the promised work and also failing to return a deposit are weak: new home construction merely makes a person liable for treble damages - not very helpful in an industry where recoverable assets are hard to fine; home improvement construction is a class B misdemeanor ($1,000 fine and up to 6 months imprisonment) for contracts under $10,000 and a class A misdemeanor ($2,000 fine and up to 1 year imprisonment) for contracts over $10,000.

The reality is that failure to perform the work together with the failure to return a deposit constitutes larceny - the stealing of another's possessions or money. Yet, current penalties are far below the requisite larceny penalties. Senate Bill 1076 establishes the same penalties for failure to return a deposit as the larceny statutes. These penalties are: class B misdemeanor for a deposit under $1,000; class D felony for deposits between $1,000-$5,000; class C felony for deposits between $5,000-$10,000 and a class B felony for deposits of $10,000 or more.

It is important that mere unknowing failure to return a deposit or doing the work but innocently not knowing that the consumer thought the work to be performed was much more *cannot* constitute a violation resulting in these penalties. The current statutes generally require: (1) that no substantial work has been done within 30 days from the start date; (2) a written request for the return of the deposit is made by the consumer to the contractor's last known address and (3) the contractor has failed to return the deposit.

I urge the committee's favorable consideration of Senate Bill 1076.

TESTIMONY OF
ATTORNEY GENERAL RICHARD BLUMENTHAL
BEFORE THE GENERAL LAW COMMITTEE

FEBRUARY 6, 2001

I appreciate the opportunity to speak in support of House Bill 6618, An Act Concerning Gasoline Zone Pricing.

The nation has watched aghast as gasoline prices virtually doubled from under $1 to almost $2 gallon. Their rapid rise and volatility have been shocking. They have siphoned hundreds of dollars out of individual consumer's budgets -- hitting particularly hard the elderly and people on fixed incomes.

The power of the major oil companies to charge inflated, excessive, arbitrary prices results from gasoline dealer franchise agreements dictating that the gasoline dealers are required to purchase products from a single supplier. As a result of such sole source provisions, gasoline dealers are powerless to seek or shop for a cheaper supply of gasoline. Hence, consumers in the higher price zones pay a higher retail price.

Zone pricing is invisible and insidious. It distorts the free market. It is possible only because of restrictive contracts that include sole source provisions. It benefits only the oil industry, to the detriment of consumers.

The major oil companies have claimed that this differential pricing mechanism is simply meeting the competitive situation in each zone. Yet, one look at their zone system demonstrates that zone pricing is simply designed to increase profits by setting prices based on what the oil companies think the market will bear. The refining companies map out areas and charge dealers different wholesale prices according to secret formulas based on relative wealth, isolation, or other factors. Connecticut, for example, is a geographically small state, but Mobil, one of the largest gasoline distributors in the state, has 46 zones. In one recent example, the wholesale price for gasoline in a town with higher per capita income was six cents higher than the wholesale price for the same gasoline in a nearby town with a significantly lower per capita income.

Oil companies claim that zone pricing is a response to competition, and is needed to help their dealers in more demanding market areas compete and maintain market share. Those claims are untrue and unsupportable. The only real purpose of zone pricing is to allow oil companies to squeeze out extra profits from retailers and consumers wherever they see an opportunity.

In a truly free and open market, every retailer would be free to buy his brand of gasoline from whichever wholesaler offered the best price at that time, and the retailer would pass some of the savings on to the consumer to stay competitive -- which is the way a free market should work. Wholesale prices of gasoline by the major oil companies would be based on the supply and demand at the dealer level and the costs of buying and refining gasoline. Under zone pricing, by contrast, they often include an extra secret surcharge based on where the gas station is. Obviously, that isn't a free market. It's a market which has been captured and abused by the major oil companies.

House Bill 6617 would reduce the impact of zone pricing by capping the price differential between zones at five cents. While ideally zone pricing should be eliminated, House Bill 6617 is a step in right direction of minimizing the impact of zone pricing. I urge the committee to consider an amendment to reduce even further that price differential to three cents.

As you know, the Connecticut Gasoline and Service Dealers Association has fought hard for legislation to eliminate zone pricing. This demonstrates the retailers' dissatisfaction and frustration with such arbitrary price gouging schemes. (The strength of industry opposition shows how lucrative it is for big oil companies). Our local small businesses know our market best. If zone pricing were really necessary to promote competition, as big oil claims, then retailers would advocate it. Instead, they abhor it, because they know it stifles competition -- unfairly to dealers and drivers alike. Robust competition on a level retail playing field, without price manipulation from wholesalers, ultimately benefits consumers.

I urge the committee's favorable consideration of an amended House Bill 6618 to limit zone pricing differentials to three cents.

TESTIMONY OF
ATTORNEY GENERAL RICHARD BLUMENTHAL
BEFORE THE GENERAL LAW COMMITTEE

FEBRUARY 6, 2001

I appreciate the opportunity to speak in support of Senate Bill 1077, An Act Concerning Consumer Rebates for Undelivered Internet Services.

Many internet service providers offer various services to entice consumers. Generally, these providers charge a flat monthly fee for such usage of the service which is provided mainly through telephone lines or cable wires.

If internet service providers fail to provide access to the internet as promise, a lengthy delay in accessing the internet can be costly to consumers. A lengthy delay simply means that the internet service provider is not providing the contracted service to the consumer. Under these circumstances, the consumer should be entitled to a rebate.

Senate Bill 1077 provides that if internet access is interrupted for more than eight continuous hours, the consumer should receive a credit or refund from the internet service provider, proportionate to the amount charged the consumer when the service was not provided. The only exception is when the consumer causes the interruption in service.

This rebate or refund concept is commonly applied to cable and telephone service. As with internet service, the consumer pays a flat monthly fee for communications access.

I urge the committee's favorable consideration of this legislation with a minor amendment. There may be instances where internet service is interrupted for a period of less than eight continuous hours but the "off and on" service problems continue for more than one day. The consumer should receive a rebate or refund under these circumstances. I suggest that language similar to the following be added to the legislation: "or for more than one hour but less than eight continuous hours in two or more separate incidents within a forty-eight hour period".

Thank you.

TESTIMONY OF
ATTORNEY GENERAL RICHARD BLUMENTHAL
BEFORE THE GENERAL LAW COMMITTEE

FEBRUARY 6, 2001

I appreciate the opportunity to speak in support of House Bill 6617, An Act Establishing a Three-Day Right to Cancel a Motor Vehicle Purchase or Lease Agreement.

A motor vehicle is a significant purchase for most consumers, often costing between $20,000 and $40,000. Most motor vehicle purchase transactions occur at a dealership where consumers often succumb to the high pressure sales tactics at dealerships and may later regret their decisions. In fact, my office receives numerous complaints every year from consumers who signed a sales agreement and want to get out of the contract. Many consumers think they have a right to cancel. Indeed, the National Association of Attorneys General several years ago listed the consumer's right to cancel a motor vehicle sales as the number one consumer myth. Consumers are extremely disappointed and frustrated when they learn that they cannot rescind a contract after they find out that it is not in their best interests.

House Bill 6617 would provide consumers with a three day right of cancellation which allowing them time to contemplate the ramifications of signing the contract, away from the dealership salesman. This three day right of cancellation is consistent with existing rights of cancellation for home solicitation sales, health club contracts and time share purchases. All were enacted to protect consumers from the intense pressure in such situations.

House Bill 6617 would also extend this three day right of cancellation provision to motor vehicle lease contracts. More than one-third of motor vehicle transactions in Connecticut are leases. As with purchases of motor vehicles, motor vehicle leases create highly significant financial obligations. In fact, leases are commonly far more complicated with unusual terms and conditions that may require greater time to understand. Consumers encounter comparable high pressure sales tactics with such leases at dealerships.

This three day right of cancellation would not apply if the consumer takes possession of the motor vehicle within three days of the signing of the purchase agreement. A consumer who wishes to take possession of the car right away would not be prohibited from doing so.

I urge your favorable consideration of House Bill 6617.

TESTIMONY OF
ATTORNEY GENERAL RICHARD BLUMENTHAL
BEFORE THE GENERAL LAW COMMITTEE

FEBRUARY 6, 2001

I appreciate the opportunity to speak in support of House Bill 6615, An Act Establishing Consumer Protections for Home Improvement Contractor Financed Programs.

My office has received more than 50 complaints from consumers who have been solicited by home improvement contractors who agree to finance the costs of installing windows or roofs. In these instances, the consumers were never told that the contrator would assign the contract and that they would have a mortgage placed on their property.

Contractor financed work is not considered a "small loan", regulated by the Department of Banking nor is it a retail installment finance sales agreement regulated under the Retail Installment

Sales Financing Act (RISFA). Therefore, the consumer have no protections against unscrupulous contractors who fail to disclose essential terms of the contract-loan.

House Bill 6615 simply provides that contractor financed work agreements must comply with the provisions of RISFA. These requirements include: (1) all terms must be in writing; (2) the contract must not contain blank spaces to be filled in after the consumer signs; (3) consumer must receive a copy of the contract upon signing; (4) maximum interest charge of 18%; (5) limits on delinquency charges and (6) consumer protection if the contract is assigned to another.

I urge the committee's favorable consideration of this legislation.

TESTIMONY OF
ATTORNEY GENERAL RICHARD BLUMENTHAL
BEFORE THE GENERAL LAW COMMITTEE

FEBRUARY 6, 2001

I appreciate the opportunity to speak in support of Senate Bill 1079, An Act Concerning Revisions to the Do Not Call List Law.

Last session, under the leadership of Senator Colapietro and Representative Fox, the General Assembly approved the creation of a do not call list so that consumers could protect themselves from constant harassing telemarketing calls often during dinnertime or when they are trying to enjoy some quiet and peace after a long day at work. This law, modeled after similar provisions in 12 other states, began operation this year.

Senate Bill 1079 addresses several problems now apparent during implementation of this new law.

First, while consumers sign up on this list to ensure privacy, their names and addresses are now subject to public disclosure under the Freedom of Information Act (FOIA). This legislation states that the names and addresses are confidential, not disclosable under FOIA. Of course, the names and addresses would be disclosable to telemarketers who need to know which consumers they cannot contact.

Second, the statute requires the Department of Consumer Protection - if it wants to contract the work to a private business - to implement this do not call list through a private vendor with two or more years experience in maintaining a do not call list. This provision limits the Department's choice to one vendor. We should not limit our choices of private vendors so as to seek the best vendor at the best price.

Very possibly, we should operate the list within the Department. No other state contracts with a private vendor to operate its do not call list. This decision should involve the Commissioner. Senate Bill 1079 provides the commissioner with the ability to cast a wide net if the decision is to seek a private vendor by eliminating the requirement that the vendor have two or more years experience in maintaining a do not call list.

Third, a question has been raised as to whether a private vendor or the Department can charge consumers a fee for joining the list. I have rendered an opinion that the law does not authorize charging such a fee. However, the law should be clarified so that consumers do not have to pay to avoid telemarketing calls.

Fourth, the law does not seem to prevent a private vendor from using the names and addresses on the do not call list for other marketing schemes. This proposal would specifically require the Commissioner to include in the contract a provision that prohibits a private vendor from using such information for purposes other than operating the do not call list.

Finally, Senate Bill 1079 inadvertantly left out a provision which I requested to eliminate an exception in the current law that allows any business to ignore the do not call list and call consumers who have explicitly states that they don't wish to receive such calls if such business is just beginning to do business in Connecticut. This loophole could allow virtually any telemarketer to establish a "new company" that hasn't called into Connecticut before and contact everyone on the do not call list. There is simply no justification for this exception and Senate Bill 1079 should be amended to eliminate that provision.

The revised subsection (c) of Section 42-288a would read as follows:

(c) No telephone solicitor may make or cause to be made any unsolicited telephonic sales call to any consumer (1) if the consumer's name and telephone number or numbers appear on the then current quarterly "no sales solicitation calls" listing made available by the department under subsection (b) of this section**[**, unless (A) such call was made by a telephone solicitor that first began doing business in this state on or after January 1, 2000, (B) a period of less than one year has passed since such telephone solicitor first began doing business in this state, and (C) the consumer to which such call was made had not on a previous occasion stated to such telephone solicitor that such consumer no longer wishes to receive the telephonic sales calls of such telephone solicitor,**]** (2) to be received between the hours of nine o'clock p.m. and nine o'clock a.m., local time, at the consumer's location, (3) in the form of electronically transmitted facsimiles, or (4) by use of a recorded message device.

I urge the committee's favorable consideration of this legislation.